

Invasion of the Superstore

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You are approached by a local supermarket chain of two traditional stores which also owns land to build a third store in the city. The local firm has learned that a national supermarket chain is planning to open two superstores in the local market. Each superstore will offer a combined grocery/general merchandise product mix (i.e., similar to a hypermarché). There will be approximately 30 checkout/cashier stands in each store. Even though the national chain did have a market presence in the area in the recent past under the traditional supermarket format, no such stores remain open in the area.

The main focus of the superstore will be on low prices. In fact, the store has a policy of bettering the price of any identical item sold by a competitor. If the superstore price is not lower than the competitive price, all the customer has to do is to provide the store with a copy of the competitive ad showing the product and price or inform the store that a competitor has a lower price. In the latter case, personnel from the superstore will visit the store in question to verify the lower price.

The population of the local market is 200,000. The placement of the two superstores, one in the east end of the city and one in the west end of the city, will essentially engulf the entire market, given the 5-mile primary trade area expected to be established by each store. Traditional supermarkets typically have a 1-mile primary trade area.

The local supermarket is concerned about its future survival, given the deep pockets and buying power of the national chain. The local chain wants you to determine what the store has to do to defend against the potential onslaught that could result from the market entry of the new competitor.

Questions:

1. Evaluate the identified situation in terms of the relevant marketing theories and concepts. Be specific.
2. Describe the nature of the market intelligence gathering process that you will carry out to help the local chain. The survival of the local chain is in your hands!